THE MANITOBA VEGETABLE PRODUCERS' MARKETING BOARD

Auditor's Report and Financial Statements
for the year ended June 30, 1986

THE MANITOBA VEGETABLE PRODUCERS' MARKETING BOARD

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being Exhibits A to F, of The Manitoba Vegetable Producers' Marketing Board for the fiscal year ended June 30, 1986. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Board as at June 30, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies stated in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

F. H. Jackson, C.A.,
Provincial Auditor.

November 18, 1986,
Winnipeg, Manitoba.

Exhibit A

THE MANITOBA VEGETABLE PRODUCERS' MARKETING BOARD

Balance Sheet
as at June 30, 1986
(with 1985 figures for comparison)

	1986	1985
ASSETS		
Current assets:		
Cash on hand and in bank	$ 1,920	$ 8,110
Bank deposit receipts	-	200,000
Accounts receivable - trade	239,357	192,718
- Peak of the Market Sales Ltd.	163,955	58,137
- producers	46,787	58,893
- storage crop advance	464,975	284,598
- other	4,293	13,367
Inventories of vegetables, net realizable value	35,590	9,174
Deposit re purchase of equipment	10,571	-
Prepaid expenses	191,328	185,239
Total current assets	1,158,776	1,010,236
Investment in Peak of the Market Sales Ltd.	30	30
Fixed assets:		
Land and building, as valued by the Board	681,868	681,868
Equipment and automobiles, at cost	960,303	639,485
	1,642,171	1,321,353
Less: assistance grants	26,487	26,487
	1,615,684	1,294,866
Less: accumulated depreciation	863,495	807,264
	752,189	487,602
	$ 1,910,995	$ 1,497,868
LIABILITIES AND CAPITAL SURPLUS		
Current liabilities:		
Outstanding cheques	$ 126,174	$ 259,401
Bank loans (Note 2)	599,033	330,295
Accounts payable - producers	264,139	156,744
- other	285,286	68,790
Funds held for promotion and research, Exhibit D	33,344	29,492
Funds held for freight equalization, Exhibit D	355	-
Other trust account (Note 3)	21,228	19,761
Total current liabilities	1,329,559	864,483
Other liabilities:		
Operations account, Exhibit B	296,250	348,199
	1,625,809	1,212,682
Capital surplus arising from:		
Financial assistance provided by the Governments of Canada and Manitoba, not repayable	206,438	206,438
Valuation of land and building	78,748	78,748
	285,186	285,186
	$ 1,910,995	$ 1,497,868

Exhibit B

THE MANITOBA VEGETABLE PRODUCERS' MARKETING BOARD

Statement of Operations
for the year ended June 30, 1986
(with 1985 figures for comparison)

	1986	1985
Revenues:		
Board's assessments against pools, Exhibit C	$ 526,109	$ 508,112
Prepack operation:		
Sales	4,519,221	5,830,341
Less: cost of sales	3,921,499	5,127,510
Gross margin	597,722	702,831
Processing fees:		
Cartage and storage	1,072	4,388
Custom work	23,376	30,894
Washing and grading	208,684	148,599
	233,132	183,881
Sundry:		
Rental revenue	68,379	67,100
Commissions on consignment sales and other revenue	65,062	90,418
	133,441	157,518
Total revenues	1,490,404	1,552,342
Operating expenditures, Exhibit E	1,542,353	1,447,637
Increase (decrease) in operations account	(51,949)	104,705
Operations account, beginning of year	348,199	243,494
Operations account, end of year, Exhibit A	$ 296,250	$ 348,199

Exhibit C

THE MANITOBA VEGETABLE PRODUCERS' MARKETING BOARD

Statement of Pool Transactions
for the year ended June 30, 1986
(with 1985 figures for comparison)

	1986	1985
Revenue from vegetables sold through pools	$ 8,361,094	$ 10,618,965
Deduct pool charges:		
Direct charges:		
Brokerage	53,752	85,150
Claims	123	-
Containers	15,524	9,524
Freight equalization	37,170	54,801
Inspection	2,737	2,630
Prepack subsidy	28,294	31,954
Seed delivery	5,868	4,237
Selling and promotion allowances	28,499	47,783
	171,967	236,079
Funds allocated for:		
Promotion and research	43,566	43,831
Freight equalization	76,991	73,544
	120,557	117,375
Board's assessments:		
Handling charges	452,156	451,622
Processing fees	4,050	1,216
Waxing	68,246	53,370
Fractional differences	1,657	1,904
	526,109	508,112
Total pool charges	818,633	861,566
Distributed to producers	$ 7,542,461	$ 9,757,399

Exhibit D

THE MANITOBA VEGETABLE PRODUCERS' MARKETING BOARD

Statement of Pool Funds Held
for the year ended June 30, 1986
(with 1985 figures for comparison)

	1986	1985
Promotion and research:		
Balance, beginning of year	$ 29,492	$ 22,403
Add: funds allocated from pools, Exhibit C	43,566	43,831
amount provided from direct priced sales	2,459	710
grants and commissions	10,645	15,674
	86,162	82,618
Deduct: promotional charges	52,818	53,126
Balance, end of year, Exhibit A	$ 33,344	$ 29,492
Freight equalization:		
Balance, beginning of year	$ -	$ -
Add: funds allocated from pools, Exhibit C	76,991	73,544
overquota service charges	13,902	15,627
	90,893	89,171
Deduct: freight allowances to wholesalers	90,538	71,115
amount credited to producers	-	18,056
	90,538	89,171
Balance, end of year, Exhibit A	$ 355	$ -

Exhibit E

THE MANITOBA VEGETABLE PRODUCERS' MARKETING BOARD

Statement of Operating Expenditures
for the year ended June 30, 1986
(with 1985 figures for comparison)

	1986	1985
Audit	$ 16,189	$ 13,712
Bad debts	799	2,711
Board members' fees	12,015	10,725
Board members' expenses	6,490	6,025
Bank service charge	3,005	3,012
Cafeteria operations, net	5,283	4,117
Claims and allowances	3,868	2,595
Containers and packaging supplies	141,081	126,954
Depreciation	56,231	57,564
Equipment rental	3,386	7,609
Fuel, water, light and power	72,630	71,092
Health and post secondary education tax levy	11,954	11,495
Insurance	16,619	12,921
Legal	(397)	302
Maintenance and repairs	80,351	65,791
Manager's expenses	1,113	2,289
Miscellaneous	37,350	42,264
Office supplies and postage	17,206	19,085
Pension and employee insurance	93,746	80,714
Property and business taxes	70,971	70,205
Public relations, promotion and travel	47,083	43,848
Salaries and wages	803,211	753,796
Telephone and telex	22,468	21,653
Truck and auto	19,701	17,158
Total, Exhibit B	$ 1,542,353	$ 1,447,637

Exhibit F

THE MANITOBA VEGETABLE PRODUCERS' MARKETING BOARD

Statement of Changes in Financial Position
for the year ended June 30, 1986
(with 1985 figures for comparison)

	1986	1985
Source of funds:		
Operations:		
Net increase (decrease) in operations account for the year	$ (51,949)	$ 104,705
Items not involving funds:		
Depreciation	56,231	57,564
Gain on disposal of fixed assets	-	(12,283)
Funds provided from operations	4,282	149,986
Proceeds from Government of Canada - Regional Economic Expansion grant	-	2,715
Proceeds from disposal of fixed assets	-	25,300
	4,282	178,001
Use of funds:		
Purchase of fixed assets	320,818	84,609
Reduction to repayable financial assistance provided by the Governments of Canada and Manitoba	-	7,710
	320,818	92,319
Increase (decrease) in working capital for the year	(316,536)	85,682
Working capital, beginning of year	145,753	60,071
Working capital (deficiency), end of year	$ (170,783)	$ 145,753
Represented by:		
Current assets	$ 1,158,776	$ 1,010,236
Current liabilities	1,329,559	864,483
	$ (170,783)	$ 145,753

THE MANITOBA VEGETABLE PRODUCERS' MARKETING BOARD

Notes to Financial Statements
June 30, 1986

1. Significant accounting policies

a) Investment in Peak of the Market Sales Ltd.

The Board reflects its investment in Peak of the Market Sales Ltd., a wholly owned subsidiary, at cost. The subsidiary operates on a breakeven basis and acquires all of its products from the Board at regular Board prices, for resale at the same prices and all operating costs are absorbed by the Board. Total sales to the subsidiary (1986 - $2,615,208; 1985 - $ 3,225,612) have not been segregated in these financial statements. The amount reflected as accounts receivable from Peak of the Market Sales Ltd. represents the amount due to the subsidiary from its customers as at the year-end date.

b) Land and building

Land and building have been recorded at a book value transferred from the preceding entity, which includes an incremental valuation adjustment of $78,748, with a subsequent disposal of part of the land recorded on a pro rata basis. Depreciation on the building is calculated on a straight-line basis, using an estimated service life of 40 years.

c) Equipment and automobiles

Equipment and automobiles are depreciated on a straight-line basis with an estimated useful life of 10 years for equipment and 5 years for automobiles.

d) Operations account

The Board operates on a break-even basis, recovering its estimated costs by assessing handling charges against the pools handled on behalf of the participating producers. The prepack operation and other processing services are offered in order to enhance the overall pooling process. The mark-up applied to the prepack operation and rates charged for other processing services are also based on the estimated costs of providing the related services. Any variance between the estimated costs recovered from the aforementioned sources and actual costs of Board operations is accumulated in the Operations Account. The balance of this account represents funds held for producers which have not been allocated and are used for working capital purposes.

THE MANITOBA VEGETABLE PRODUCERS' MARKETING BOARD

Notes to Financial Statements
June 30, 1986

2. Bank loans

The amount shown for bank loans is comprised of the following:

	1986	1985
Operating loan, interest at prime, secured by a general assignment of accounts receivable	$ 110,000	$ 45,000
Crop storage loans, interest payable by and outstanding balance guaranteed by the Government of Canada	489,033	285,295
	$ 599,033	$ 330,295

3. Other trust account

The transactions pertaining to the other trust account is as follows:

	Cultivar Research Project
Balance, June 30, 1985	$ 19,761
Contributions from participants	27,075
Interest received	646
	47,482
Disbursements	26,254
Balance, June 30, 1986	$ 21,228

4. Pension Plan

On October 28, 1985, the Board approved the conversion of the fully vested defined benefits pension plan to a money purchase plan effective January 1, 1985. The actuarial surplus of $142,478 as at January 1, 1985 has been allocated by the Board as follows:

a) an amount of $48,311 allocated to certain members adversely affected by the change in the plan, and

b) the balance, after allowance for expenses, is allocated to each member, on the basis that each member's contributions as at December 31, 1984, bears to all the total accumulated contributions of all contributing members at December 31, 1984.

Final approval for the new plan was received from the Manitoba Pension Commission in January 1986.

THE MANITOBA VEGETABLE PRODUCERS' MARKETING BOARD

Notes to Financial Statements
June 30, 1986

Prior to January 1, 1985 the Board contributed the amount necessary to fully fund the benefits provided under the old plan. Effective January 1, 1985 in accordance with the terms of the new plan, the Board matches the contribution of each member.

The Board arranged for the Great-West Life Assurance Company to manage the pension fund investments, and for Reed Stenhouse Associates Limited to administer the plan.

5. Commitments

At June 30, 1986 the Board has a commitment relating to the acquisition of prepack equipment amounting to $31,781. A deposit of $10,571 was made in June 1986. The balance of $21,210 was paid after delivery of the equipment.

In addition, the Board has a commitment relating to the development of a "Grower System" custom software package amounting to $29,420.